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SUBJECT: Indonesia Withdraws From OPEC

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¶1. (SBU) Summary: Government of Indonesia (GOI) Energy Minister Purnomo Yusgiantoro signed a decree on May 29th to formalize Indonesia's withdrawal from the Organization of Petroleum Exporting Countries (OPEC). GOI officials cited high global oil prices and Indonesia's status as a net importer of oil as the reasons for withdrawing from the oil cartel. GOI officials tell us that President SBY made the decision personally to withdrawal from OPEC. Indonesia was OPEC's only Southeast Asian member. End Summary.

¶2. (SBU) The decision to withdraw was announced following a meeting of President Yudhyono and his budget advisors on May 28th. Indonesia is under increasing budgetary pressures resulting from rising global commodity prices. President SBY recently made the publicly unpopular decision to scale back Indonesia's fuel subsidy program, raising fuel prices almost 30 percent. Withdrawing from OPEC will save the GOI \$3.1 million in annual dues; however Indonesia is already paid up until the end of 2008.

¶3. (SBU) The announcement of the decision was not planned in advance; it was revealed in response to a question from a journalist. However the GOI's willingness to discuss the decision six months in advance of Indonesia's expiration of dues underscores the limited utility of OPEC membership to Indonesia. GOI officials acknowledged Indonesia's limited influence within OPEC and do not expect any adverse reaction from its withdrawal. At worst, the decision may result in a short-term loss to Indonesia's international standing and prestige. There is no immediate impact from Indonesia's decision on U.S. policy or interests. Given that Indonesia's output is less than one million barrels of oil per day (out of OPEC's total of approximately 30 million), Indonesia has little influence over OPEC's decisions to raise or lower output.

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